



A Member of CapitaLand

## ASCOTT RESIDENCE TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 January 2006 (as amended))

### ANNOUNCEMENT

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#### DIVESTMENT OF 100% OWNED SUBSIDIARIES IN CHINA

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#### 1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Manager**”), as manager of Ascott Residence Trust (“**Ascott REIT**”), wishes to announce that Ascott REIT has today through its wholly owned subsidiaries, Biyun Investments (Hong Kong) Limited and Gaoxin Investments (Hong Kong) Limited (collectively, the “**Sellers**”), entered into two conditional sale and purchase agreements (the “**Sale and Purchase Agreements**”) with an unrelated third party (the “**Purchaser**”) to divest, through the divestment of interests in the property holding companies named below, the following interests in two serviced residence properties in China:

- (i) Citadines Biyun Shanghai (“**CBS Property**”) which is held by Gain Mark Properties (Shanghai) Ltd (“**CBS**”).;
- (ii) Citadines Gaoxin Xi’an (“**CGX Property**”) which is held by Citadines (Xi’an) Property Co., Ltd. (“**CGX**”),

(CBS Property and CGX Property shall be collectively referred to as the “**Properties**”)

(CBS and CGX shall be collectively referred to as “**Target Companies**” and the divestment of the Target Companies, the “**Sale**”)

#### 2. SALE PRICE

The aggregate consideration under the Sale and Purchase Agreements for the Sale (“**Sale Price**”) was agreed on a willing buyer willing seller basis taking into account, the agreed aggregate value of the Properties of RMB980 million (approximately S\$198.0 million<sup>1</sup>) (“**Property Values**”) adjusted for, among others, bank loans and entrustment loans owed by

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<sup>1</sup> Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of RMB / SGD = 0.20206.

the Target Companies and net current asset value of the Target Companies as at the completion date of the Sale.

### 3. PRINCIPAL TERMS OF THE SALE

The Purchaser will pay a deposit equivalent to 50.0% of the Property Values. Upon legal completion of the Sale (the “**Completion**”), the remaining balance of the Sale Price will be paid to the Sellers in cash. Completion is expected to take place in the second half of 2017 after all the conditions set out in each of the Sale and Purchase Agreements have been satisfied or waived (as applicable) or such other date as the Sellers and the Purchaser may agree in writing.

### 4. RATIONALE FOR THE SALE

To maintain the performance and competitiveness of the Properties, it is expected that additional capital expenditure will be required in the near future. In view of the above, and at the same time given that growth prospects of both Properties are limited due to changes in the operating environment, the Sale would be at an opportune time to unlock the underlying value of the Properties and re-deploy the proceeds in other higher yielding assets to enhance the returns of Ascott REIT’s portfolio.

### 5. USE OF SALE PROCEEDS

The Property Values of RMB 980 million is 69% above the 2016 valuation of the Properties. The Sale Price, after providing for transaction related expenses, contribute an estimated net gain from the Sale of approximately RMB 239 million (approximately SGD 48.3 million).

Net Sale proceeds may be used to pare down the debts of Ascott REIT and its subsidiaries or fund potential acquisitions and/or other general corporate purposes.

### 6. PRO FORMA FINANCIAL EFFECTS OF THE SALE

#### 6.1 Certain Financial Information Relating to the Sale

The pro forma financial effects of the Sale presented below are strictly for illustration purposes only and do not reflect the actual position of Ascott REIT after Completion.

They have been prepared based on the audited consolidated financial statements of Ascott REIT for the 12 months ended 31 December 2016 (“**FY2016**”, and the audited consolidated financial statements of Ascott REIT for FY2016, the “**2016 Audited Consolidated Financial Statements**”), and taking into account the Sale Price.

#### 6.2 Assumed Exchange Rates

In preparing the pro forma historical distributions per Unit (“**DPU**”) and net asset value (“**NAV**”) per Unit for FY2016, the exchange rates between RMB and SGD are assumed to be as follows:

|     | 1 January 2016 | Average rate for FY2016 | 31 December 2016 |
|-----|----------------|-------------------------|------------------|
| RMB | 0.22108        | 0.20864                 | 0.20682          |

### 6.3 Pro Forma Financial Effects for FY2016

#### (A) Pro Forma DPU and Distribution Yield

The table below sets out the pro forma financial effects of the Sale on Ascott REIT's DPU and distribution yield for FY2016, as if the Sale was completed on 1 January 2016.

|                                       | FY2016                   |                          |
|---------------------------------------|--------------------------|--------------------------|
|                                       | Before the Sale          | After the Sale           |
| <b>Distributable Income (S\$'000)</b> | 134,991 <sup>(1)</sup>   | 134,329 <sup>(2)</sup>   |
| <b>Units in issue ('000)</b>          | 1,653,471 <sup>(3)</sup> | 1,653,293 <sup>(2)</sup> |
| <b>DPU (cents)</b>                    | 8.27 <sup>(1)</sup>      | 8.23 <sup>(2)</sup>      |
| <b>Distribution yield (%)</b>         | 7.3 <sup>(4)</sup>       | 7.3 <sup>(4)</sup>       |
| <b>Earnings per Unit</b>              |                          |                          |
| - Basic (cents)                       | 7.62 <sup>(1)</sup>      | 10.94 <sup>(2)</sup>     |
| - Diluted (cents)                     | 7.57 <sup>(5)</sup>      | 10.86 <sup>(2)</sup>     |

**Notes:**

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 1 January 2016.
- (3) Number of Units in issue as at 31 December 2016.
- (4) Based on the closing Unit price of S\$1.13 on 31 December 2016.
- (5) Prior to 1 January 2016, the Manager's management fees (comprising base fees and performance fees) are issued within 60 days from the end of the quarter. With effect from 1 January 2016, due to a new requirement of the Monetary Authority of Singapore, the units in connection with the performance fees will be issued once a year, after the end of the financial year.

#### (B) Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the Sale on the consolidated NAV as at 31 December 2016, as if the Sale was completed on 31 December 2016.

|                              | As at 31 December 2016   |                          |
|------------------------------|--------------------------|--------------------------|
|                              | Before the Sale          | After the Sale           |
| <b>NAV (S\$'000)</b>         | 2,200,625 <sup>(1)</sup> | 2,250,319 <sup>(2)</sup> |
| <b>Units in issue ('000)</b> | 1,653,471 <sup>(3)</sup> | 1,653,471                |
| <b>NAV per Unit (\$)</b>     | 1.33                     | 1.36                     |

**Notes:**

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 31 December 2016.
- (3) Number of Units in issue as at 31 December 2016.

## 7. OTHER INFORMATION

### 7.1 Relative Figures Computed on the Bases set out in Rule 1006 of the Listing Manual

A proposed disposal by Ascott REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual of Singapore Exchange Securities Trading limited (the “**SGX-ST**”) depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net asset value of the assets to be disposed of, compared with Ascott REIT’s net asset value;
- (ii) the net profits attributable to the assets acquired, compared with Ascott REIT’s net profits; and
- (iii) the aggregate value of the consideration given or received, compared with Ascott REIT’s market capitalisation based on the total number of issued Units.

The relative figures for the Sale using the aforesaid bases of comparison are set out in the table below:

| <b>Criteria</b>   | <b>Ascott REIT<br/>(S\$ million)</b> | <b>Sale<br/>(S\$ million)</b> | <b>Relative Percentage<br/>(%)</b> |
|---|--------------------------------------|-------------------------------|------------------------------------|
| The net asset value of the assets to be disposed of, compared with the Ascott REIT’s net asset value  | 2,137.7 <sup>(1)</sup>               | 92.3 <sup>(2)</sup>           | 4.3%                               |
| The net profits attributable to the assets acquired or disposed of, compared with Ascott REIT’s net profits                                     | 24.1 <sup>(1)</sup>                  | (0.2)                         | 0.9%                               |
| The aggregate value of the consideration given, compared with the Ascott REIT’s market capitalisation based on the total number of issued Units | 2,477.3 <sup>(3)</sup>               | 174.5 <sup>(4)</sup>          | 7.0%                               |

#### Notes:

- (1) Based on the unaudited consolidated financial statements of Ascott REIT for 31 March 2017.
- (2) Based on net asset value of the Target Companies as at 31 March 2017.
- (3) Based on the market capitalisation of Ascott REIT as at 30 June 2017.
- (4) Based on pro forma Sale Price as at 31 March 2017.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Sale is regarded as being a discloseable transaction.

### 7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Sale.

### 7.3 Directors’ Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Sale or any other transactions contemplated in relation to the Sale.

## 8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m.<sup>2</sup> at the registered office of the Manager at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 from the date of this announcement up to and including the date falling three months thereafter:

- (i) the Sale and Purchase Agreements; and
- (ii) the valuation report of the Properties issued by CBRE.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Ascott REIT continues to be in existence.

By Order of the Board  
Ascott Residence Trust Management Limited  
(Registration Number: 200516209Z)  
As manager of Ascott Residence Trust

Karen Chan  
Company Secretary  
3 July 2017

### Important Notice

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Ascott REIT is not necessarily indicative of the future performance of Ascott REIT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.

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<sup>2</sup> Prior appointment with the Manager will be appreciated.